



California Public Employees' Retirement System
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Agenda Item 5a

October 18, 2011

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. **SUBJECT:** EFI's Parallel Valuation and Certification of the June 30, 2010 actuarial valuations for JRS, JRS II, LRS and the 1959 Survivor Program
- II. **PROGRAM:** Actuarial Office
- III. **RECOMMENDATION:**

Staff recommends that the Committee recommend to the Board of Administration to accept EFI's parallel valuation and certification reports in completion of Task 3 of Contract 2009-5377 for the following actuarial valuations as of June 30, 2010:

- Legislator's Retirement System (LRS)
- Judges Retirement System (JRS)
- Judges Retirement System (JRS II)
- 1959 Survivor Program

IV. ANALYSIS:

EFI recently completed an independent parallel valuation of the June 30, 2010 actuarial valuations for JRS, JRS II, LRS and the 1959 Survivor Program. Overall, EFI certifies the results as "accurate" and "computed in accordance with generally accepted actuarial principles" for the 1959 survivor program and "reasonable" and "computed in accordance with generally accepted actuarial principles" for JRS, JRS II and LRS. Overall, the costs independently computed by EFI are all within 5% of the costs calculated by CalPERS actuaries. However, in the case of JRS, JRS II and LRS, EFI did discover non-material problems with a portion of the liability calculation. The findings for each valuation are discussed in further details below.

Independent Review of the Actuarial Valuation for the Legislators' Retirement System

EFI's independent parallel valuation of LRS matched the liabilities calculated by CalPERS' staff actuaries within 2.3%. EFI certified our results as "reasonable" and "computed in accordance with generally accepted actuarial principles."

However, EFI discovered one discrepancy with the actuarial liability for terminated members. Through an analysis of the test lives, EFI found three individuals who were undervalued. CalPERS staff concurs with the analysis performed by EFI and will take corrective action to alleviate the issue in the 2011 annual valuation. Overall, the total present value of benefits (PVB) determined by CalPERS was within 2.3% of those computed by EFI which is well within the actuarially acceptable tolerance level of 5%. Despite the EFI finding of the three individuals being undervalued, the total present value of benefits (PVB) calculated by CalPERS was still greater than that calculated by EFI. A copy of the parallel valuation report for LRS can be found in Attachment 1.

Independent Review of the Actuarial Valuation for the Judges' Retirement System

EFI's independent parallel valuation of JRS matched the liabilities calculated by CalPERS' staff actuaries within 4.0%. EFI certified our results as "reasonable" and "computed in accordance with generally accepted actuarial principles."

However, EFI discovered a discrepancy with the actuarial liability for members entitled to a deferred benefits. Through an analysis of the test lives, EFI found that the present value of these benefits was understated. CalPERS staff concurs with the analysis and has taken corrective action, which will be applied in the 2011 annual valuation. Overall, the total present value of benefits (PVB) determined by CalPERS was within 3.9% of those computed by EFI which is within the actuarially acceptable tolerance level of 5%. A copy of the parallel valuation report for JRS can be found in Attachment 2.

Independent Review of the Actuarial Valuation for the Judges' Retirement System II

EFI's independent parallel valuation of JRS II matched the total liabilities calculated by CalPERS' staff actuaries within 0.3%. EFI certified our results as "reasonable" and "computed in accordance with generally accepted actuarial principles."

However, EFI discovered a discrepancy with the actuarial liability for retired members. Through an analysis of the test lives, EFI found that the present value of these benefits was understated. CalPERS staff concurs with the analysis and has taken corrective action, which will be applied in the 2011 annual valuation. Overall, the total present value of benefits (PVB) determined by CalPERS was within 0.2% of those computed by EFI which is within the actuarially acceptable tolerance level of 5%. A copy of the parallel valuation report for JRS II can be found in Attachment 3.

Independent Review of the Actuarial Valuation for the 1959 Survivors' Benefit Program

EFI's independent parallel valuation of the 1959 Survivor Benefit Program matched the total liabilities calculated by CalPERS' staff actuaries within 5% and has certified our results as "accurate and complete, and fully compliant with generally accepted actuarial principles and with all standards of practice". A copy of the parallel valuation report for the 1959 Survivor Program can be found in Attachment 4.

V. RISKS:

There are no known risks associated with the recommendations.

VI. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial Office.

VII. RESULTS/COSTS:

There are no costs associated with this item other than the payment of EFI's fee under contract 2009-5377.

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Attachments